

Message Text

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SUBJECT: JAPANESE 1976 AUTOMOBILE PRODUCTION AND EXPORTS: DOES
SUCCESS EVER END?

REF: TOKYO A-409, DECEMBER 14, 1976 (NOTAL)

1. SUMMARY: DESPITE A SLIGHT DECLINE IN DOMESTIC SALES,
MOTOR VEHICLE PRODUCTION AND EXPORTS BOTH REACHED ALL-TIME
HIGHS IN 1976. PRODUCTION TOTALED 7.8 MILLION VEHICLES;
3.7 MILLION (47 PERCENT) OF THESE WERE EXPORTED, UP FROM
2.7 MILLION VEHICLES A YEAR AGO. FOR THE FIRST TIME, THE
AUTO INDUSTRY SURPASSED JAPANESE IRON AND STEEL AS THE
SINGLE LARGEST EARNER OF FOREIGN EXCHANGE - OVER \$10 BILLION.
THE U.S. REMAINED, BY FAR, JAPAN'S LARGEST CUSTOMER
TAKING (1.3 MILLION) VEHICLES, ALTHOUGH THE
ARE OF THE U.S. MARKET DROPPED TO 15 PERCENT
FROM THE 18.5 PERCENT LEVEL OF 1975. IMPORTS INTO JAPAN FELL
SLIGHTLY TO 37,427 INCLUDING 13,562 FROM THE U.S.
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END SUMMARY.

2. ACCORDING TO FIGURES FROM THE JAPANESE AUTOMOBILE
MANUFACTURERS ASSOCIATION (JAMA), PRODUCTION IN 1976
TOTALED 7,841,447 UNITS, AN INCREASE OF ALMOST
JIPPNPPP UNITS OVER THE PREVIOUS 1973 HIGH OF 7,082,757.
WITHIN THIS TOTAL PASSENGER CARS NUMBERED 5.03 MILLION;

TRUCKS, 2.77 MILLION AND BUSES, 42 THOUSAND. TOYOTA REMAINED JAPAN'S LARGEST PRODUCER WITH 2,487,851 UNITS FOLLOWED CLOSELY BY NISSAN WITH 2,303,703. TOYO KOGYO, MITSUBISHI AND HONDA OCCUPIED THIRD, FOURTH AND FIFTH PLACES WITH 716,672; 647,623 AND 560,075 UNITS RESPECTIVELY. ALL FIVE MANUFACTURERS SURPASSED THE PRODUCTION TARGET SET FOR THEMSELVES IN EARLY 1976 (SEE TOKYO A-111, APRIL 2, 1976) AND OVERALL JAPANESE PRODUCTION SURPASSED THE PREVIOUSLY FORECAST FIGURE BY ALMOST 600,000 VEHICLES.

3. YEAR-AGO PREDICTIONS REGARDING THE LEVEL OF 1976 DOMESTIC MOTOR VEHICLE SALES PROVED MORE ACCURATE. A SLIGHT DECLINE FROM 1975 SALES LEVELS TO 4.12 MILLION UNITS HAD BEEN FORECAST, DOMESTIC SALES, IN FACT, TOTALED 4,104,057 UNITS BY YEAR'S END, INCLUDING 41,410 IMPORTED CARS SOME OF WHICH CLEARED CUSTOMS IN LATE '75. JAPANESE ECONOMIC RECOVERY DURING THE FIRST HALF OF '76 LED TO BETTER-THAN-EXPECTED SALES BUT THE BULLISHNESS OF THE FIRST SIX MONTHS WAS MORE THAN OFFSET IN THE SECOND HALF OF THE YEAR BY A RETURNING SLUGGISHNESS IN THE ECONOMY AND CONSERVATIVE CONSUMER BUYING OWING TO RELATIVELY LOW SPRING WAGE INCREASES.

4. AS ANTICIPATED, JAPANESE MANUFACTURERS MORE THAN MADE UP FOR THE DECLINE IN DOMESTIC SALES THROUGH UNCLASSIFIED

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EXPORTS. EXPORTS REACHED A NEW HIGH OF 3,709,608 UNITS, WELL ABOVE THE PREVIOUS 1975 PEAK OF 2,677,612. WITHIN THIS TOTAL, PASSENGER CARS NUMBERED 2.5 MILLION AND TRUCK AND BUS EXPORTS 1.2 MILLION UNITS. ALMOST HALF (47.3 PERCENT) OF PRODUCTION WAS EXPORTED, UP SIGNIFICANTLY FROM THE 40 PERCENT OF A YEAR AGO. FOR THE FIRST TIME. MOTOR VEHICLE AND PART EXPORTS SURPASSED THOSE OF IRON AND STEEL AS THE LARGEST SINGLE EARNER OF FOREIGN EXCHANGE-\$10.3 BILLION, APPROXIMATELY 15 PERCENT OF JAPAN'S 1976 TRADE SURPLUS TOTAL.

5. BY DESTINATION, JAPAN'S NUMBER ONE CUSTOMER CONTINUED TO BE THE U.S. (1,370,445 UNITS) FOLLOWED BY AUSTRALIA (278,498), SAUDIA ARABIA (227,224) AND BRITAIN (134,789). THE 400,000 UNIT INCREASE IN EXPORTS TO THE U.S. CAN BE ATTRIBUTED TO A GENERAL RECOVERY IN DEMAND FROM THE DEPRESSED 1975 LEVELS AND INVENTORY BUILDING DURING THE FIRST HALF OF 1976. OVERALL, THE IMPORTS' SHARE OF THE TOTAL U.S. MARKET

ACTUALLY DECLINED TO 15 PERCENT FROM THE 18.5 PERCENT LEVEL OF 1975 AS TOTAL DEMAND INCREASED. NISSAN'S SHARE OF THE U.S. MARKET DECLINED BY .3 PERCENT TO 2.7 PERCENT WHILE TOYOTA'S ACTUALLY INCREASED .1 PERCENT TO 3.4PERCENT. ACCORDING TO FIGURES OBTAINED DIRECTLY FROM THE MANUFACTURERS, TOYOTA SHIPPED 441,841 UNITS TO THE STATES; NISSAN, 421, 456, AND HONDA MAINTAINED ITS THIRD PLACE POSITION BY INCREASING ITS EXPORTS TO 179,633 UNITS,(70 *49. 113,573 A YEAR AGO. MITSUBISHI OVERTOOK TOYO KOGYO (MAZDA) AS FOURTH LARGEST JAPANESE SUPPLIER TO THE U.S. SALES TO AUSTRALIA, MAINLY KNOCK-DOWNS, WERE UP 67,000 FROM '75 LEVELS AND EXPORTS TO SAUDIA ARABIA INCREASED BY 100,000 UNITS. EXPORTS TO THE UK WERE UP 12,000 UNITS OR 10 PERCENT ABOVE THE YEAR BEFORE.

6. A QUICK SOUNDING INDICATES THAT TOTAL JAPANESE PRODUCTION WILL RISE .6 MILLION UNITS TO 8.4 MILLION UNCLASSIFIED

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IN 1977. ROUGHLY 45 PERCENT OF THIS - 3.78 MILLION UNITS - IS TRAGETED FOR EXPORT. BASED ON PAST PERFORMANCE WE CONSERVATIVELY ESTIMATE AT LEAST 1.4 MILLION IN EXPORTS TO THE U.S. SHOESMITH

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